

Message Text

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ACTION EB-07

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7398

INFO AMEMBASSY CARACAS

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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E. O. 11652: N/A

TAGS: ETRD, BR

SUBJECT: PRESIDENT GEISEL'S LETTER TO PRESIDENT CARLOS ANDRES
PEREZ - EMBASSY COMMENTS

1. SUMMARY: BY ENDORSING VENEZUELAN INITIATIVE IN THE
OAS, GOB HAS BROUGHT ITS POSTURE INTO LINE WITH THAT
OF MOST OTHER LATIN AMERICAN COUNTRIES, AND HAS
REGAINED, WITHIN BRAZIL, PUBLIC RELATIONS INITIATIVE
LARGELY LOST TO VENEZUELA IN PAST TWO WEEKS. AS
COMPARED WITH STRIDENCY OF OTHER LATIN AMERICAN COUNTRIES,
GEISEL STATEMENT RESTRAINED; NEVERTHELESS, STATEMENT
DOES REFLECT DEEP CONCERN WITH WHICH SENIOR GOB
OFFICIALS VIEW POSSIBLE IMPLICATIONS TITLE II TRADE
REFORM ACT FOR GOB'S EXPORT DRIVE. IN ADDITION, GEISEL
STATEMENT REITERATES FIRM POSITION THAT LDOS
SHOULD BE GIVEN PREFERENTIAL RATHER THAN RECIPROCAL
TREATMENT IN FORTHCOMING TRADE NEGOTIATIONS.

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LETTER THUS REAFFIRMS ESTABLISHED MAJOR THEME OF

BRASILIAN FOREIGN POLICY IN RELATION TO THE FORTHCOMING
TRADE NEGOTIATIONS -- I.E., ENDORSEMENT AND
PROMOTION OF THE REDISTRIBUTION OF INTERNATIONAL
WEALTH AND ECONOMIC POWER AND, THEREBY,
POLITICAL POWER AS WELL. END SUMMARY.

2. IN EMBASSY'S VIEW, PRESIDENT GEISEL'S LETTER ENDORSING
VENEZUELAN OAS INITIATIVE SIGNIFICANT IN TWO WAYS: IT
PROVIDES UPDATED AUTHORITATIVE STATEMENT OF THE BRAZILIAN
POSITION WHILE BRINGING GOB'S PUBLIC POSTURE MORE INTO
LINE WITH THAT OF MOST OTHER LATIN AMERICAN COUNTRIES.

3. THE TWO BASIC IDEAS IN TERMS OF WHICH GOB APPEARS
TO APPROACH TRADE REFORM ACT ARE (A) CONCERN AS TO THE
UNPRECEDENTED FLEXIBILITY AFFORDED TO THE USG, AND OVER
THE DANGER THAT THE ACT, CONTRARY TO ITS INITIAL POLITICAL
IMPULSE, MIGHT BECOME INSTRUMENT FOR RESTRICTION OF WORLD
TRADE RATHER THAN LIBERALIZATION; AND (B) INSISTANCE ON
THE NEED FOR MORE FAVORABLE, PREFERENTIAL -- RATHER THAN
JUST EQUAL OR RECIPROCAL -- TREATMENT FOR LDCS IN ORDER
TO CORRECT EXISTING ECONOMIC INEQUALITIES AND FORESTALL
PROGRESSIVE POLARIZATION OF THE WORLD ECONOMY BETWEEN
DEVELOPING AND DEVELOPED COUNTRIES. IN PRIVATE CONVERSA-
TION, SENIOR GOB OFFICIALS -- SUCH AS SOUTO MAIOR,
SILVEIRA'S CHEFE DE CABINET, AND PROBABLY ONE OF THE
CONTRIBUTORS TO THE LETTER -- ARE DEEPLY PESSIMISTIC
ABOUT ULTIMATE RESULTS OF TRADE REFORM ACT AS INSTRUMENT
OF TRADE LIBERALIZATION. THEY ARE PREPARED TO CONCEDE US
GOOD INTENTIONS, BUT NOTE TIGHTENED ESCAPE CLAUSE AND
COUNTERVAILING DUTY PROVISIONS, RISING PROTECTIONIST
SENTIMENTS IN US, AND STRENGTHENED CONGRESSIONAL OVER-
SIGHT, PARTICULARLY IN RESPECT TO IMPLEMENTATION OF TITLE
II. SOUTO MAIOR, IN PARTICULAR, DRAWS SHARP DISTINCTION
BETWEEN MATURE, INDUSTRIAL COUNTRIES, WITH WHAT HE SAYS ARE
ESTABLISHED WORLD MARKET POSITIONS, AND RISING INDUSTRIAL POWERS,
LIKE BRAZIL, IN PROCESS OF RAPID CHANGE, WHICH HAVE YET
TO ACHIEVE SUCH A POSITION. HE IS WILLING TO CONCEDE
THE POSSIBILITY OF FRUITFUL NEGOTIATION FOR RECIPROCAL
CONCESSION AMONG THE MATURE, WEL-ESTABLISHED ECONOMIES,
BUT THINKS THERE IS MORE THAN EVEN CHANCES THAT THE US
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WILL US THE FULL ARRAY OF RESTRICTIONS UNDER TITLE II
AGAINST BRAZIL'S EXPORT DRIVE IN MANUFACTURED AND SEMI-MANU-
FACTURED GOODS.

4. AS REGARDS THE TREATMENT OF LDCS, GEISEL'S LETTER IN
EFFECT ACCEPTS GENERAL PREMISE OF THE "NON-ALIGNED"
THAT "FORMAL EQUALITY" UNDER BRETTON WOODS HAS
MEANT "SUBSTANTIVE INEQUALITY". IN ELABORATING ON

THIS THEME, SOUTO MAIOR NOTES LAST NOVEMBER'S US-BRAZILIAN PLANNING TALKS WHICH HAD POSED CHOICE BETWEEN TRULY COOPERATIVE SYSTEM, WHICH FULLY ACCEPTS IMPLICATIONS OF INTER-DEPENDENCE, AND PROGRESSIVE POLARIZATION INTO ECONOMIC BLOCS. WHILE CONCEDED THAT BRAZIL'S PRIORITIES AND INTERESTS ARE, IN MANY RESPECTS, QUITE DIFFERENT FROM THOSE OF MAJORITY OF LDCS, SOUTO MAIOR FEELS ATTITUDE TOWARD PRODUCERS IN THE TRADE REFORM ACT IS IMPORTANT AND SYMPTOMATIC IN THAT IT APPEARS TO FORESHADOW AN ANTAGONISTIC, RATHER THAN COOPERATIVE RESOLUTION OF THIS FUNDAMENTAL STRATEGIC ISSUE. (IN THIS CONTEXT, ANOTHER IMPORTANT INDICATION OF TRUE US INTENTIONS, IN SOUTO MAIOR'S VIEW, WILL BE US ACTION -- OR INACTION -- ON THE INTERNATIONAL COFFEE AGREEMENT.)

5. BRAZILIAN PRESS REACTION: OVER PAST WEEK, GEISEL ADMINISTRATION UNDOUBTEDLY FELT INCREASING NEED TO DEFINE MORE CLEARLY ITS PUBLIC POSITION. BRAZILIAN PRESS TREATMENT IN RECENT DAYS HAS BEEN DOMINATED BY ACCOUNTS OF VENEZUELAN PRONOUNCEMENTS AND, MORE RECENTLY, RABASO'S CONSULTATIONS IN WASHINGTON; WHILE GOB ESSENTIALLY STOOD ON ITS JANUARY 10 STATEMENT, NOTING THAT THE ACT WAS COMPLEX AND THE FONMIN STILL STUDYING IT. INTERNATIONALLY, MODERATE STANCE OF JANUARY 10 STATEMENT LEFT GOB ISOLATED FROM OTHER MAJOR COUNTRIES IN THE HEMISPHERE ONCE ARGENTINA ENDORSED VENEZUELAN INITIATIVE. RELEASE OF LETTER (ALLEGEDLY DATED JANUARY 13), WHICH HAS BEEN GIVEN BIG PLAY IN BRAZILIAN PRESS, HAS BEEN SUCCESSFUL IN REGAINING PUBLIC RELATIONS INITIATIVE FOR GOB, AT LEAST DOMESTICALLY.
CRIMMINS

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